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DONALDA MINES LIMITED

(No Personal Liability)

Annual Report

FOR THE YEAR ENDED
DECEMBER 31, 1965



DIRECTORS' REPORT

To the Shareholders:

DONALDA MINES LIMITED

Your Directors are pleased to submit herewith the Auditors Report, Balance Sheet and related Financial Statements for the year ended December 31, 1965.

The year was a busy one for your Company. The main endeavor consisted of a renewed exploration program on your Company's 16-claim gold and base metals property adjoining Quemont Mines in Rouyn Twp., Northwestern Quebec.

Based upon the recommendations of Dr. W. W. Weber, your Company's consultant geologist, an Induced Polarization survey was carried out over a considerable portion of your property which had previously had limited exploration.

It was felt that structural conditions, indicated by the Induced Polarization survey, justified a program of exploratory drilling, and to this effect, eight drill holes totalling 4,833 ft. were completed by Feb. 10 of the current year.

Since no results of economic significance were obtained in this program, it was subsequently halted, and the matter is now under review. Of particular interest is the work presently being carried out by Falconbridge Nickel Mines on the property of D'Eldona Gold Mines Limited, our neighbor on the east. We are informed that a program of surface mapping, line-cutting, and preparation work for geophysical surveys, is currently being conducted on the D'Eldona property stretching right from our boundary line eastward to the vicinity of the old production shaft. A determination of the potential of this exploration area would be most helpful to us in the planning of any additional exploration work.

As has been stated in previous reports, your Company's gold ore reserves on this property cannot be exploited until a more favorable economic climate exists; for example, an increased price for gold, which could influence our mining these reserves. Nevertheless, this reserve is considered a valuable asset for the potential future benefit of your Company.

Your Company's claim group in Duff Twp. in the Timmins area was dropped during the year, based upon the generally disappointing results experienced by most operators in that area. The Salter Twp. property is held in good standing.

During the year, an effort was made to employ geophysical methods to assist in the exploration of your Company's Horwood Twp. property. While a number of magnetometer highs were demonstrated, they did not appear to coincide significantly with the known geology, and therefore did not provide a useful basis for laying out a further exploration program. On the recommendations of the Company's project geologist no further work was undertaken and the claims were allowed to lapse.

Accompanying this report is a Notice of Annual Meeting, which is to be held in Montreal on June 28th, 1966. If you are unable to attend, please complete the enclosed proxy form and return it to the Secretary.

On behalf of the Board of Directors,
E. F. FURNISS
PRESIDENT

June 3, 1966

DONALDA MINES LIMITED

(No personal liability)

(Incorporated under the laws of the Province of Quebec)

BALANCE SHEET AS AT DECEMBER 31, 1965

ASSETS

Current assets

Cash.....	\$ 78,285.03	
Deposit receipt.....	25,412.13	
Marketable securities, at cost (market value \$3,300.00).....	5,395.00	\$ 109,092.16

Fixed assets

Mining claims:

Mining concessions and claims held under development licenses, Noranda, Quebec—at valuation attributed to 1,000,000 shares of capital stock issued for the claims and \$5,612.65 paid in cash.....	\$ 305,612.65	
Patented claims in Salter Township, Ontario, acquired for cash.....	3,335.52	

\$ 308,948.17

Buildings and equipment at nominal value.....	1.00	
Office equipment, at cost less \$642.00 accumulated depreciation.....	428.00	309,377.17

Deferred expenditures and other assets

Development and administrative expenditures, per statement.....	\$ 653,931.81	
Investment — shares in other companies, at cost.....	150.06	
Organization expenses.....	8,415.51	662,497.38
		<u>\$1,080,966.71</u>

LIABILITIES

Current liabilities

Accounts payable.....		\$ 12,808.92
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Capital and deficit

Capital stock

Authorized:

7,500,000 shares, par value \$1.00 each

Issued and fully paid:

6,750,000 shares at December 31, 1964.....	\$6,750,000.00	
Less — net discount.....	4,019,826.57	\$2,730,173.43

250,000 shares issued in 1965 for cash.....	\$ 250,000.00	
Less — discount.....	195,000.00	55,000.00

200,000 shares issued in 1965 for mining claims	\$ 200,000.00	
Less — discount.....	180,000.00	20,000.00

<u>7,200,000</u> shares.....		<u>\$2,805,173.43</u>
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Deficit, per statement.....	1,737,015.64	1,068,157.79
		<u>\$1,080,966.71</u>

Approved on behalf of the Board of Directors:

E. F. FURNISS, Director

V. H. HEDGES, Director

DONALDA MINES LIMITED

(No personal liability)

DEFERRED DEVELOPMENT AND ADMINISTRATIVE EXPENDITURES FOR THE YEAR ENDED DECEMBER 31, 1965

Exploration and development

Noranda, Quebec

Geophysical survey.....	\$ 2,563.55	
Diamond drilling.....	6,221.36	
Engineering fees and expenses.....	3,067.25	
Office expenses.....	950.61	
Miscellaneous.....	598.81	\$ 13,401.58

Horwood Township, Ontario

Geophysical survey.....	\$ 4,269.30	
Engineering fees and expenses.....	3,566.90	7,836.20

Other properties

Engineering fees and expenses.....	\$ 407.87	
Government fees.....	156.09	563.96
		<u>\$ 21,801.74</u>

Administrative expenditures

Head office accommodation, accounting and secretarial services.....	\$ 3,450.00	
Share issue and transfer expenses.....	2,639.10	
Officer's remuneration.....	1,750.00	
Legal and audit fees.....	935.00	
Stock exchange fees and expenses.....	737.19	
Shareholders' meeting expenses.....	691.32	
Shareholders' information and publicity.....	735.02	
Directors' fees.....	625.00	
Miscellaneous.....	202.52	
Sundry adjustments to prior year.....	(960.00)	
	<u>\$ 10,805.15</u>	
Less — interest income.....	2,035.61	8,769.54

Net expenditures for the year.....		\$ 30,571.28
Balance deferred at December 31, 1964.....		631,794.10

\$662,365.38

Deduct expenditures on claims abandoned — written off to deficit:

Duff Township, Ontario.....	597.37	
Horwood Township, Ontario.....	7,836.20	8,433.57

Balance deferred at December 31, 1965.....		<u>\$653,931.81</u>
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Summary

Noranda, Quebec.....	\$550,200.96	
Salter Township, Ontario.....	15,891.58	\$566,092.54
Administrative.....		87,839.27
		<u>\$653,931.81</u>

STATEMENT OF DEFICIT FOR THE YEAR ENDED DECEMBER 31, 1965

Balance at December 31, 1964.....		\$1,691,803.07
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Additions during year

Cost of claims abandoned —	\$34,780.00	
Exploration expenditures incurred thereon.....	8,433.57	
	<u>\$43,213.57</u>	
Additional amount written off buildings and equipment to reduce to nominal value.....	1,999.00	45,212.57

Balance at December 31, 1965.....		<u>\$1,737,015.64</u>
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Fisher, Nisker & Company

CHARTERED ACCOUNTANTS

62 RICHMOND ST. WEST

TORONTO, ONTARIO

AUDITORS' REPORT


To the Shareholders of
Donalda Mines Limited
(No personal liability)

We have examined the balance sheet of Donalda Mines Limited (no personal liability) as at December 31, 1965 and the statements of deferred development and administrative expenditures and deficit for the year ended on that date. We have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the company, the accompanying balance sheet and statements of deferred development and administrative expenditures and deficit are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at December 31, 1965 and of its activities for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

FISHER, NISKER & COMPANY
Chartered Accountants

Toronto, Ontario,
March 4, 1966.



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